

Commission Meeting Minutes September 14, 2016

Chairman Brown called the meeting (held at PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:15 AM. He then acknowledged the other Commissioners present: Commissioners Timothy Dooling, Kathy Fallon, Kate Fitzpatrick, Robert McCarthy, and Jennifer Sullivan. Commissioner James Machado participated remotely due to illness per the Attorney General's Open Meeting Law 940 CMR 29.10.

Chairman Brown announced that the Commission meeting is being tape recorded and will be so noted in the minutes. He stated that all votes will be by roll call vote due to remote participation.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, General Counsel and Deputy Director John Parsons, Deputy General Counsel and Managing Attorney Judith Corrigan, Director of Administrative Services Caroline Carcia, Director of Strategic Planning Mike DeVito, Chief Auditor Caryn Shea, Compliance Counsel Derek Moitoso, Compliance Analyst Cheryl Johnson, Senior Associate Counsel Ken Hill, Associate General Counsel Patrick Charles, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the following guests in attendance: Thomas Gibson representing the Middlesex County and Belmont Retirement Systems, Nick Favorito representing the State Retirement System, Lisa Maloney representing the Middlesex County Retirement System, Erika Glaster and Sean Neilon representing the Massachusetts Teachers' Retirement System, and Frank Valeri representing the Massachusetts Retirees Association. Director of Information Systems Dan Boyle arrived at 11:30 AM with the Collaborative Consulting Associates including Rob Roberts the senior lead project manager, Arun Khond the technical architect, and Laura Harriman account team manager.

Commissioner Fitzpatrick made a motion to adopt the Commission meeting minutes dated August 10, 2016. Commissioner McCarthy seconded the motion. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, Jennifer Sullivan YES, and the August 10, 2016 Commission meeting minutes were adopted.

Legal Update

Ms. Corrigan provided an update on *Boston Police Department v. Boston Retirement Board, et al*, CR-11-397 (August 9, 2016), the police detail case.

Legislative Update

Mr. DeVito reported that the legislative update is status quo. The General Court is meeting in informal sessions and will continue to take up non-controversial matters until the session ends in January 2017.

Audit Update

Ms. Shea reported that the audit staff is currently auditing the Falmouth and Framingham Retirement Systems and that the Amesbury Retirement System audit would be starting on September 19, 2016. She further stated that the audits for the Northampton (no findings) and Saugus Retirement Systems were posted on the PERAC Web Page since the last Commission meeting. Ms. Shea briefly reported on the respective findings. She also reported that PERAC has not completed any six-month follow up reports since the last Commission meeting.

Executive Director's Report

Mr. Connarton made note of the staff activities. He specifically mentioned that there was a possible concern with the building where the Plymouth County Retirement Board is located. The Board had asserted that the building was a "sick building" and was interested in purchasing a building. Mr. Connarton explained that the County boards are unable to purchase a building without special legislation. He also expressed his concern about the other residents in the building. However, the Board has since reported that the air quality in the building was retested and is now considered safe. Mr. Connarton then reported that he and Commissioner Fitzpatrick met with Nick Downing, the new legislative representative from the Massachusetts Municipal Association and that Katie McCue has been promoted to Director of Administration and Finance. Mr. Connarton stated that PERAC and MMA have established a great positive relationship.

Mr. Connarton then reported that the Securities and Exchange Commission issued a press release regarding new amendments that would enhance reporting and disclosure of information provided by investment advisers and these amendments will become effective in October 2017.

Mr. Connarton updated the Commission that the Medford Retirement Board has suspended Mr. Paul Conway's retirement allowance. Ms. Corrigan reported briefly about Mr. Conway and that at this time the Medford Retirement Board needs to recoup \$154,237.44 from him.

Commissioner McCarthy inquired if Mr. Conway is still eligible for his health insurance. Mr. Parsons stated that generally all the systems take the benefit amount down to the amount of the health insurance and continue to provide that benefit.

Ms. Corrigan stated that Mr. Conway has appealed to Superior Court and has sued PERAC, CRAB, and the Medford Retirement Board.

Mr. Connarton reported that the supplemental appropriation of \$65,000 for the OPEB Analysis and OPEB audits remain in H. 4506, however, the supplemental budget has not yet been enacted upon.

Mr. Connarton then reported that the 12th Emerging Issues Forum is being held at the College of the Holy Cross in Worcester on September 15, 2016 and currently 326 individuals have registered. Mr. Connarton stated that PERAC's 20th anniversary is November 7, 2016 and has distributed a pen

with a stylus on one end commemorating this. He stated that each attendee at the Emerging Issues will receive a pen.

Mr. Connarton discussed the memorandum regarding Commission Policy 97-006, the Selection of the Commission's Seventh Member. He reminded the Commission that Chairman Brown is fulfilling the unexpired term of the late Judge Domenic J.F. Russo, and his term will expire on November 7, 2016. He requested that the Commission members submit their respective candidate's résumés to him no later than October 12, 2016 for consideration at the October Commission meeting.

Mr. Connarton reported that several conference calls have been held with John Schembari, from Kutack Rock, regarding the Exclusive Benefit Rule. He continued that Commissioner Sullivan, State and Teachers' Retirement Systems, and he would be meeting today after the Commission meeting to discuss an approach to resolve this matter. He stated that the Commission will be updated at the October Commission meeting.

Mr. Connarton thanked the Commission for its approval of \$3.295 Million for the overhaul of our entire IT system. Unfortunately, the project is facing a cost overrun due to some unforeseen complexities within both the disability and audit/fraud databases. In addition the level of security, data migration, and accessibility testing was underestimated, which has caused an increase in the overall cost of the project. During the conversion process in the disability unit, it was discovered that there are many more different disability scenarios involved than originally thought. Examples include the presumptions and what the legal unit must do on a case-by-case basis. The estimated Capital needed to complete all projects is \$818,000, which Mr. Connarton recommends. He is requesting approval of the additional money to complete this project. He then stated that Collaborative Consultants will make a presentation at the MACRS Conference in October and certainly can make a presentation to the Commission.

Mr. Rob Roberts, Senior Lead Project Manager from Collaborative Consultants, introduced Arun Khond, the technical architect, and Laura Harriman, account team manager. He then reviewed the status, transition road map, project scope, management, and then reviewed some of the action slides.

Discussion included how much quicker the disabilities would be processed, a roll out of the systems to small groups, going from paper to paperless with certain exceptions, such as the retirees filing their 91A forms, communications with Massachusetts ITD regarding cyber security as required in Executive Order 504, conducting external and internal penetration testing, and internal data migration.

Commissioner Fitzpatrick made a motion to approve \$818,000 to complete the project. Commissioner McCarthy seconded the motion.

Discussion on the motion included a request for a memorandum with the original scope and the additional scope, and a break-down analysis of additional costs.

Commissioner Dooling was interested in seeing a memorandum as he was not involved in the original Capital Budget vote.

Mr. Connarton stated that we can provide a memorandum fairly quickly and that the \$3.295 Million has been expended. He then requested that if the Commission were to take a short break the breakdown of additional costs can be provided.

At 12:40 PM Commissioner McCarthy made a motion to recess and reconvene until 1:00 PM. Commissioner Fitzpatrick seconded the motion. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES, the motion was adopted and the Commission recessed until 1:00 PM.

At 1:00 PM the Commission reconvened. Chairman Brown proposed an amendment to the motion to authorize \$145,000 for the Security Assessment at this meeting.

Mr. Connarton stated that the next step would be the Data Migration which he would like to engage as soon as possible.

Commissioner Dooling stated that because he was not involved in the initial discussions of this matter, he would feel more comfortable to discuss the matter with Auditor Bump, but is prepared to vote for the \$145,000 for the security portion of an increase today.

Mr. Connarton reported that Paul McDevitt, Auditor Bump's husband, passed away on September 12, 2016 and appreciates that Commissioner Dooling would like to keep her updated on this matter. He then apologized that he did not have the break out for this request.

Commissioner Machado stated how important the security is, and a priority should be to keep the information that is housed at PERAC private.

Commissioner Fitzpatrick made a motion to modify her prior motion to authorize \$145,000 for the Security Assessment at this meeting and follow up with the remaining amount at the October Commission meeting. Commissioner McCarthy seconded the motion to modify. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES, the motion to authorize \$145,000 for the Security Assessment at this meeting and follow up with the remaining amount at the October Commission meeting was adopted.

Mr. Connarton reported that a Legislative Sub-Committee meeting will be held on October 12, 2106 and an Investment Sub-Committee meeting will be scheduled. The next Commission meeting will be held at 5 Middlesex Avenue, Somerville on Wednesday, October 19, 2016 at 11:00 AM.

Commission Travel

Mr. Connarton notified the Commission that the agenda has just been received for the upcoming MACRS Conference being held from October 2, 2016 through October 5, 2016 in Springfield, should anyone be interested in attending.

Commissioner McCarthy made a motion to grant permission for any interested Commissioners and staff to attend the MACRS Conference. Commissioner Fallon seconded the motion. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES, the motion was adopted.

Other Business

Mr. Connarton reported that the legislature created the Pension Forfeiture Commission in the budget and he has been named the Chairman of that Commission. He has sent notification to those members that have also been named and he has received notification of their designation. He has not heard from a few members, his intention is to reach out to those individuals and to have a meeting here in October. Mr. Connarton stated that the reporting deadline is March 1, 2017.

Commissioner Dooling reported that calling hours for Paul McDevitt, Auditor Bump's husband, will be Thursday, September 15, 2016 at the IBEW Hall in Dorchester and the funeral will be held on Friday, September 16, 2016 at St. Margaret's also in Dorchester.

Commissioner McCarthy inquired if the Commission would be making a donation. Mr. Connarton stated that the staff would be making a donation.

Commissioner McCarthy inquired if the staff has heard from Mr. Gallerani after the last Commission meeting. Mr. Connarton reported that Mr. Gallerani has not contacted him.

Commissioner Fitzpatrick made a motion to adjourn. Commissioner McCarthy seconded the motion. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES, the motion was adopted and the meeting adjourned at 1:10 PM.

Commission Meeting Documents

Commission Agenda for the meeting of September 14, 2016

Commission Minutes for August 10, 2016

Legal Update

Memo regarding the case of *Boston Police Department v. Boston Retirement Board, et al*, CR-11-397 (August 9, 2016)

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC Audit reports

Executive Director's Report

Updated Staff Activities Memo

SEC Press Release entitled *SEC Adopts Rules to Enhance Information Reported by Investment Advisers*

Letter from Medford Retirement System regarding Mr. Conway

Emerging Issues Forum Agenda

Memo to the Commission regarding Commission Policy 97-006, Selection of Commission Seventh Member

Memo to the Commission regarding the Capital Budget/IT Over haul/Update/Request

Other Documents

Letters to the Natick Retirement Board and Mr. Michael Gallerani regarding the Gallerani matter

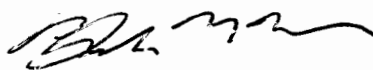
Distributed at the meeting

MACRS Conference Agenda

Collaborative Consultants Presentation

PROSPER Project Scope and Budget Update

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission